

CS FOR SENATE BILL NO. 112(TRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered: 4/25/03
Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act increasing the motor fuel tax; repealing the special tax rates on blended fuels;**
2 **removing the motor fuel tax exemption of the Alaska Railroad; relating to tax refunds**
3 **for government agency purchases of fuel; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 42.40.910 is amended by adding a new subsection to read:

6 (d) Nothing in this section exempts the corporation from the motor fuel tax
7 imposed in AS 43.40.

8 * **Sec. 2.** AS 43.40.010(a) is amended to read:

9 (a) There is levied a tax of 20 [EIGHT] cents a gallon on all motor fuel sold or
10 otherwise transferred within the state, except that

- 11 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;
12 (2) the tax on motor fuel used in and on watercraft of all descriptions is
13 five cents a gallon; **and**
14 (3) the tax on all aviation fuel other than gasoline is three and two-

1 tenths cents a gallon [; AND

2 (4) THE TAX RATE ON MOTOR FUEL THAT IS BLENDED
3 WITH ALCOHOL IS THE SAME TAX RATE A GALLON AS OTHER MOTOR
4 FUEL; HOWEVER,

5 (A) IN AN AREA AND DURING THE MONTHS IN WHICH
6 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
7 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
8 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
9 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
10 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
11 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -
12 (3) OF THIS SUBSECTION;

13 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
14 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL SOLD OR
15 OTHERWISE TRANSFERRED WITHIN THE STATE IS EIGHT CENTS A
16 GALLON LESS THAN THE TAX ON OTHER MOTOR FUEL NOT
17 DESCRIBED IN (1) - (3) OF THIS SUBSECTION IF THE MOTOR FUEL

18 (i) IS AT LEAST 10 PERCENT ALCOHOL BY
19 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
20 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS
21 PRODUCED IN A FACILITY THAT PROCESSES
22 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN
23 THE RATE OF TAX APPLIES TO MOTOR FUEL SOLD OR
24 TRANSFERRED THAT CONTAINS ALCOHOL THAT WAS
25 PRODUCED ONLY DURING THE FIRST FIVE YEARS OF THE
26 FACILITY'S PROCESSING OF LIGNOCELLULOSE FROM
27 WOOD; OR

28 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY
29 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
30 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY
31 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT

1 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR
 2 FUEL SOLD OR TRANSFERRED THAT CONTAINS ALCOHOL
 3 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE
 4 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM
 5 WASTE SEAFOOD].

6 * **Sec. 3.** AS 43.40.010(b) is amended to read:

7 (b) There is levied a tax of 20 [EIGHT] cents a gallon on all motor fuel
 8 consumed by a user, except that

9 (1) the tax on aviation gasoline consumed is four and seven-tenths
 10 cents a gallon;

11 (2) the tax on motor fuel used in and on watercraft of all descriptions is
 12 five cents a gallon; **and**

13 (3) the tax on all aviation fuel other than gasoline is three and two-
 14 tenths cents a gallon [; AND

15 (4) THE TAX RATE ON MOTOR FUEL THAT IS BLENDED
 16 WITH ALCOHOL IS THE SAME TAX RATE A GALLON AS OTHER MOTOR
 17 FUEL; HOWEVER,

18 (A) IN AN AREA AND DURING THE MONTHS IN WHICH
 19 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
 20 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
 21 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
 22 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
 23 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
 24 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -
 25 (3) OF THIS SUBSECTION;

26 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
 27 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL CONSUMED
 28 BY A USER WITHIN THE STATE IS EIGHT CENTS A GALLON LESS
 29 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -
 30 (3) OF THIS SUBSECTION IF THE MOTOR FUEL

31 (i) IS AT LEAST 10 PERCENT ALCOHOL BY

1 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
 2 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS
 3 PRODUCED IN A FACILITY THAT PROCESSES
 4 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN
 5 THE RATE OF TAX APPLIES TO MOTOR FUEL CONSUMED BY
 6 A USER THAT CONTAINS ALCOHOL THAT WAS PRODUCED
 7 ONLY DURING THE FIRST FIVE YEARS OF THE FACILITY'S
 8 PROCESSING OF LIGNOCELLULOSE FROM WOOD; OR

9 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY
 10 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
 11 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY
 12 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT
 13 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR
 14 FUEL CONSUMED BY A USER THAT CONTAINS ALCOHOL
 15 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE
 16 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM
 17 WASTE SEAFOOD].

18 * **Sec. 4.** AS 43.40.030(a) is amended to read:

19 (a) Except as specified in AS 43.40.010(j), a person, **other than the Alaska**
 20 **Railroad Corporation,** who uses motor fuel to operate an internal combustion engine
 21 is entitled to a refund of **18** [SIX] cents a gallon if

22 (1) the tax on the motor fuel has been paid;

23 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
 24 watercraft; and

25 (3) the internal combustion engine is not used in or in conjunction with
 26 a motor vehicle licensed to be operated on public ways.

27 * **Sec. 5.** AS 43.40.035 is amended by adding a new subsection to read:

28 (c) For fuel sold to federal, state, and local government agencies for official
 29 use and purchased with a government credit card, the credit card issuer may apply for
 30 a refund of any motor fuel tax assessed on the purchase if the tax is not billed by the
 31 credit card issuer to the government agency making the purchase.

1 * **Sec. 6.** AS 43.40.050 is amended by adding a new subsection to read:

2 (d) A credit card issuer who claims a refund under AS 43.40.035 shall present
3 the refund claim to the department on a form prescribed by the department together
4 with documentation of the claim required by the department.

5 * **Sec. 7.** AS 43.40.100(2) is amended to read:

6 (2) "motor fuel" means fuel used in an engine for the propulsion of a
7 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a
8 stationary engine, machine, or mechanical contrivance that is run by an internal
9 combustion motor; "motor fuel" does not include

10 (A) fuel consigned to foreign countries;

11 (B) fuel sold for use in jet propulsion aircraft operating in
12 flights

13 (i) to foreign countries; or

14 (ii) that continue from foreign countries, unless
15 exemption of the motor fuel from taxation is disallowed because of the
16 refiner's failure to comply with the provisions of a voluntary agreement
17 under AS 43.40.092 in conjunction with expansion of refinery capacity;

18 (C) fuel used in stationary power plants operating as public
19 utility plants and generating electrical energy for sale to the general public;

20 (D) fuel used by nonprofit power associations or corporations
21 for generating electric energy for resale;

22 (E) fuel used by charitable institutions;

23 (F) fuel sold or transferred between qualified dealers;

24 (G) fuel sold to federal, state, and local government agencies
25 for official use; **for the purposes of this subparagraph, the Alaska Railroad**
26 **Corporation (AS 42.40) is not a federal, state, or local government agency;**

27 (H) fuel used in stationary power plants that generate electrical
28 energy for private residential consumption;

29 (I) fuel used to heat private or commercial buildings or
30 facilities;

31 (J) fuel used for other nontaxable purposes as prescribed by

1 regulations adopted by the department;

2 (K) fuel used in stationary power plants of 100 kilowatts or less
3 that generate electrical power for commercial enterprises not for resale; or

4 (L) residual fuel oil used in and on watercraft if the residual
5 fuel oil is sold or transferred in the state or consumed by a user; for purposes of
6 this subparagraph, "residual fuel oil" means the heavy refined hydrocarbon
7 known as number 6 fuel oil that is the residue from crude oil after refined
8 petroleum products have been extracted by the refining process and that may
9 be consumed or used only when sufficient heat is provided to the oil to reduce
10 its viscosity rated by kinetic unit and to give it fluid properties sufficient for
11 pumping and combustion;

12 * **Sec. 8.** This Act takes effect July 1, 2003.